ILO-EC Conference (Brussels, 20-21 January 2011)

Inequalities in the World of Work: The Effects of the Crisis

Executive summary

Did the crisis exacerbate existing inequalities in the world of work? Did the crisis affect all workers, including the most protected, or were there categories of workers particularly at risk? What lessons can we draw from the crisis for our future fight against inequalities in the world of work?

These are the questions to which an international conference, organized jointly by the ILO and the European Commission on 20-21 January, will try to answer. In order to do so, the conference will study sources of inequality and counter policies and institutions in the crisis in different and complementary areas: employment, wages, working time and other working conditions.

Three main aspects will be highlighted in the conference.

1. The crisis had an impact on work inequalities

Evidence collected on European countries shows that the financial and economic crisis indeed had an impact on inequalities in the world of work, and that certain categories of workers were hit more than others.

As indicated by the ILO and the World Bank, 'the global financial crisis has rapidly become an unemployment crisis'. The first source of inequality unleashed by the crisis was the variegated impact of employment adjustments imposed on the workforce. Most employment adjustments involved atypical workers on temporary or agency contracts. The evidence provided, for instance, on France, Spain and Sweden illustrates how temporary workers functioned as a sort of employment buffer in the crisis: 90 per cent of employment losses in Spain, for instance, concerned temporary workers.

Young people were also hard hit, as witnessed by the rapid growth of unemployment rates among the youth that was double the growth of unemployment among other age categories. Increasing youth unemployment has been particularly marked in the three
Wage declines have often been the result of cuts in working hours applied as an alternative to layoffs.

Wage cuts, at least in a first phase, seem to have been more substantial in the public sector. Budgetary cuts in public administration in most countries however – as already observed in Bulgaria, Hungary, Ireland and Greece – should lead to further wage cuts in the public sector, together with employment reductions, thereby making public employees the category most at risk.

The long-term increase in low-paid workers (defined as those earning less than 60 per cent of the median wage) has continued during the crisis, as the result of reductions in working hours, but also freezes in the legal minimum wage.

Wage differentials between those at the top and those at the bottom of the wage scale have also increased, as reported in Bulgaria, Hungary and the United Kingdom. The crisis will thus reinforce the long-term low pay and related poverty trends in Europe.

According to Eurofound 2010 survey results, 40 per cent of workers reported that their household had difficulties making ends meet, this proportion being particularly high among non-permanent workers and the self-employed.

The conference will also address the crisis’ implications for other working conditions. Evidence from company case studies seems to indicate that the crisis may not have particularly decreased intensity at work, especially in countries where massive layoffs were implemented, leaving the remaining employees with an even greater burden and stress at work. A number of examples are presented in Croatia, Spain and Turkey.

2. Policies and institutions matter

The European experience within the crisis furnishes another important lesson, namely that policies and institutions count in terms of employment and also work inequalities.

More than in other regions, the combination of stimulus packages, subsidies to preserve investment and employment stability, and social dialogue has helped to limit the shocks on employment and social cohesion. They have influenced the inequality outcome of the crisis.

Governments have adopted a range of responses. Undoubtedly, changes in average working hours, for instance, were used as an important adjustment variable in most European countries. The use of such arrangements was important in Austria, Cyprus,
outcome in terms of inequalities and categories at risk – those concentrated in the public sector such as women, skilled, older, disabled and ethnic minority groups.

3. Longer term effects on inequality to be monitored

There is a third important message from this comparative work, namely that it is essential to capture the impact of the crisis on inequalities, not only in the short term but also in the medium and longer term. The impact on inequality in the world of work often requires years to be identified, especially if one takes into account qualitative indicators, such as human capital and job quality.

For instance, the fall in training expenditure at enterprise level identified by the case studies, combined with reduced training programmes financed by the state, can only have a detrimental effect on human capital and the quality of employment in the long term, well after the crisis.

The crisis may thus halt the progress made in Europe toward higher quality jobs and working conditions. Possible policy routes have to been analysed according to their potential effect on the double employment objective of the Lisbon Strategy, namely ‘more and better jobs’.

This is also the case in terms of flexibility measures. The crisis has shown that those countries that have relied on external flexibility adjustments, such as Spain, have experienced severe difficulties on the employment front and may be more affected than others in the long term.

The human cost of such policies should thus be more properly evaluated, especially in light of the long-term adverse effects on the employees’ career and pay prospects. This led Spain to limit and better regulate companies’ recourse to temporary work contracts. Nevertheless, temporary contracts, after declining immediately as a buffer during the tempest, and this in all European countries, started to grow rapidly again in 2010.

In other countries, the crisis has highlighted the polarization of the labour force: workers on the periphery of the labour force were the first to be affected by employment cuts, with the core labour force remaining protected and benefitting from a series of institutional arrangements.

Although complementary measures have been put in place for the most vulnerable groups, such targeted programmes have not been very effective, and certainly not sufficient to compensate for the adverse effects of dual labour markets. Certainly, the crisis shows the need to move towards a more equal distribution of risks.